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July 3, 2019

Mayor Helps and Council  
City of Victoria

Sent via email: [mayorandcouncil@victoria.ca](mailto:mayorandcouncil@victoria.ca)

Subject: Residential Rental Tenure Zoning

Dear Mayor Helps and Council,

LandlordBC is the province-wide voice for rental housing providers in BC. As you will no doubt know many of our 3300 members are located in the City of Victoria, and a significant cohort of these members are owners of purpose-built rental buildings. Together, they have been providing secure rental housing for individuals and families in the community for many decades, with a collective commitment to continue doing so long into the future. I am writing you today on behalf of our members to express our strong concern regarding June 20, 2019 staff report entitled *Residential Rental Tenure Zoning* scheduled for consideration by the City of Victoria Committee of the Whole on July 4, 2019.

LandlordBC is on public record for supporting the Province's decision to extend *Residential Rental Tenure Zoning* powers to municipalities, and we are on public record for supporting the City of Victoria's desire to preserve and expand affordable rental housing in the community. It is our view that Residential Rental Tenure Zoning is an innovative tool when implemented properly.

Upon reviewing the report it has become increasingly concerning to us, on behalf of our members, that this Council envisions using this tool to downzone existing purpose-built rental buildings, which would be contrary to the legislation enacted by the Province, and categorically unfair to the owners of these buildings. As such, we respectfully request that Council reject any notion of proceeding with Residential Rental Tenure Zoning of existing purpose-built rental buildings until such time as staff undertakes an in-depth and direct consultation with all the individual property owners potentially impacted to explore all the solutions with them, and then only proceed after securing their consent. This would constitute the fair and equitable treatment of these critically important rental housing providers in the community.

The Minister of Municipal Affairs and Housing, the Honourable Selina Robinson, was explicit when her government enacted the Residential Rental Tenure Zoning power for municipalities. She stated at the time: ***"A guiding principle in drafting the amendments was to ensure that there was as little intrusion as possible into the property rights of individuals."*** It is our view that the Residential Rental Tenure Rezoning envisioned in this staff report and by Council is in direct contradiction of this guiding principle.

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Let there be no doubt that there are unintended consequences should you elect to apply Residential Rental Tenure Zoning to existing buildings without consent of the owners. The downzoning will have immediate negative financial impacts on these owners and will go well-beyond their freezing all but the most basic investment in the existing rental stock. Furthermore, you must understand that the application of Residential Rental Tenure Zoning will also freeze new supply as rental developers and their lenders will no longer view Victoria as a desirable jurisdiction within which to create new, secure, purpose-built rental housing. These two outcomes, in combination, would represent a significant loss for the community at large, and obviously do huge harm to both current and future renters in the community.

Arbitrarily devaluing land by governments is simply wrong. We need to have a stable regulatory framework for the operation and construction of rental housing in Victoria and across the province. As such, LandlordBC respectfully requests that Mayor and Council take the opportunity to hit pause on any further consideration of Residential Rental Tenure Zoning in the City of Victoria, engage in truly meaningful discussion with the impacted property owners to explore all the solutions, and then seek their consent to move forward.

Sincerely,



David Hutniak  
Chief Executive Officer  
LandlordBC



July 2, 2019

Mayor and Council  
City of Victoria  
1 Centennial Square  
Victoria, B.C. V8W 1P6

Dear Mayor and Council –

We wish to express our position on the Residential Rental Tenure Zoning (RTZ) tool that the Province has made available for local governments to use within their jurisdictions. We are optimistic that the City of Victoria can use this tool to accomplish the goal of protecting existing rental housing stock in the City while also encouraging new rental housing.

To begin, it is important to delineate that there are two very different ways in which this tool might be used. The first would be to apply it towards existing residential rental properties, and the second would be to apply it towards properties not currently developed as rental housing to encourage the development of new residential rental housing (Up-zoning). Below you will find a breakout of our thoughts and recommendations for Council under each circumstance. It is also important for all involved to recognize that B.C. is the first jurisdiction in the world which has introduced this type of zoning tool. We are in uncharted territory without other examples to learn from and as such, it is important to proceed with caution on how this tool might be implemented and to ensure there is ongoing review of its impacts. It is prudent to ensure the way in which RTZ is used achieves the desired outcomes and doesn't negatively impact the quality of existing rental housing or the supply of new rental housing. These risks are real and must be taken into consideration.

#### 1) Applying Residential Rental Tenure Zoning (RTZ) to Existing Buildings

Rental Housing is a critical component of a vibrant, diverse and inclusive city. In most circumstances, it provides a lower cost form of housing than home ownership and also provides a great deal of flexibility in tenure. Landlords of existing rental housing have invested and continue to invest significantly into our communities through the provision of safe, secure market rental housing. These investments have been made in good faith that the City consult and work collaboratively with them to overcome obstacles and challenges to ensure the continued provision of such housing without negatively impacting their properties or the investment made into them. As such, it is important the City reciprocate this good faith, and prior to any implementation of this tool in existing buildings, the City consult all property owners of purpose-built rental properties which could be impacted by RTZ. Most importantly, that consent be given from the

owners. The City has an Engagement Framework that was guided by the International Association of Public Participation and should be followed in this instance to ensure best practices are used when considering substantial policy changes. Just as developers and property owners are encouraged and required to seek public input, consult and receive consent when applying for changes to their property, so too must the City.

There is substantial risk that the application of RTZ on existing buildings without the consent of the registered owner could:

- Have a downward effect on their property value. This may cause serious financial hardship in some cases where the financing of a particular property was heavily reliant upon its land value which previously would not have been encumbered by RTZ. A prudent building owner plans their large capital expenses such as roof replacements, electrical or plumbing replacement in conjunction with their financing. Reduced value will limit the amount in which a prudent owner can borrow to ensure the building is maintained to an ideal standard. This could lead to the deterioration of existing buildings in the long term.
- Send an alarming message to the private sector about investing in your community. If applied without consent, this will send a troubling message to those looking to invest in both existing and new rental housing within your community. That message is that the City may place restrictions and encumbrances on your property and its improvements in the future without consent. We need to encourage the development of new rental housing as well as investment into existing rental housing.

Any fear that consent will not be provided, should not be the rationale for proceeding without it. Consultation and consent are two integral parts to any land use change.

There are opportunities for the City to explore when considering applying RTZ to an existing purpose-built rental building. One of these exists within legal non-conforming properties or properties which density, height and form of the existing use does not conform to current City policy or design guidelines which may conflict with existing zoning. An inventory has not been taken, but UDI is aware of purpose-built rental buildings where if a catastrophic loss should occur (fire, earthquake, flood etc.) they would not be able to replace the existing rental stock as it exists today without rezoning. The City of Victoria is in many ways, and should be, looking to protect and future plan our important physical assets in Victoria given the expectation of “The Big One” (earthquake) hitting us in the next few decades. This is most evidenced in our Heritage buildings where we have property tax exemption programs as well as other incentives to improve the seismic resiliency as well as other features of these important assets within our community. This principal of future planning should be undertaken to protect our existing rental stock by correcting these legal non-conformities and/or inconsistencies between the current zoning, building code, the OCP and area design guidelines. This should be undertaken in a collaborative way with effected property owners through RTZ and with the recommendation of an incentive being provided to achieve the greatest level of support and therefor future protection of rental stock. Coriolis Consulting has done numerous economic impact studies to determine the additional land value created through rezoning. It has been widely recognized by

them and the rental housing development community that there is no lift created when rezoning to permit purpose-built rental housing. Given such, UDI would encourage the City to look at providing the height and density as established within the OCP on a property for an owner who has opted in to allow RTZ on their property. In cases where the existing building exceeds the height, density or has parking that doesn't conform to the current requirements, that those properties be given zoning and density to allow them to be re-built with their existing height, density, parking and in the same form to ensure the housing is protected. This future planning is critical to ensure that when we do experience "The Big One", the City isn't backlogged with hundreds, if not thousands, of rezoning applications which will be detrimental to its ability to reconstruct purpose-built rental housing, and to recover from such an event as quickly as it otherwise could.

Further, according to the City's own data, 44% of the their existing purpose-built rental units are 60+ years old – these rental buildings do not meet the modern building, safety and seismic standards. As these buildings reach the end of their useful life, the City should be using RTZ and other incentives to encourage the responsible replacement and net increase of secure rental units on these sites, and not simply freeze this less dense aging rental stock in perpetuity. This short-term political expedience will only exacerbate the problem over time. The ability for rental owners to justify the economics of making significant investments in the upkeep of their older buildings will become increasingly difficult with the advent of more stringent rent controls and anticipated introduction of new building and energy standards for existing buildings in 2024.

## 2) Applying RTZ to non-Purpose-Built Rental Properties to Encourage New Rental Development

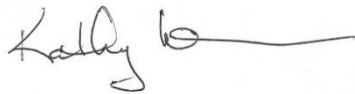
The most advantageous application of RTZ to address our rental housing crisis and supply shortage exists with up-zoning combined with RTZ. One of the largest impediments to new rental construction is the availability and cost of land coupled with the uncertainty of the approvals process and the timeframe to receive approvals. The City has the ability to stabilize the cost of land while increasing the supply of new rental housing by up-zoning with RTZ properties to the densities and heights allowed under the OCP. As mentioned previously, it has been widely acknowledged in other jurisdictions, by Coriolis Consulting and by the City of Victoria in its prior reviews of rental housing applications, that there is no land lift created when rezoning to permit rental housing. The greatest benefit will be received by the City and both its current and future inhabitants by providing the framework to encourage substantial new supply that aligns with the City's growth targets and objectives within its OCP. Despite the recent increase in new rental housing supply, it is not enough to keep up with existing and anticipated demand. According to a recent report by the CRD's Regional Outcomes Monitoring Group, we require 1,553 new rental homes completed each year to meet the anticipated demand. In 2017, 913 rental homes were completed meaning a shortfall of 640 units. That means we created less than 59% of what is needed in our Region and those were under the best economic conditions to develop rental housing. These conditions have changed. We have experienced increased interest costs, construction costs, land costs and our building code changes are creating additional cost burdens that the market is struggling to reconcile. Providing a roadmap for property owners and developers interested in developing rental housing in Victoria that complies with the OCP but

does not require the same risk as the current entitlement process, is a great way to clear the path for rental housing. There would still be a development permit and design review process to ensure the quality and context of each project which will provide Council the ability to be involved in each application.

While the above is our recommendation on how to use the RTZ tool to increase supply, this too should proceed through an engagement process which includes all those impacted by the potential changes which in this instance is a farther reaching group of the general public than if applied to existing purpose-built rental properties.

UDI is eager to work collaboratively with Staff and Council to address its goals and we would welcome the opportunity to do so in a meaningful way. We represent those who can help bring us out of this housing crisis and we must work together to achieve improved outcomes. We hope to be able to do that with you on this, and all housing policy matters. Thank you for taking the time to consider our recommendations.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Kathy', followed by a long horizontal line.

Kathy Whitcher (Hogan) – Executive Director  
(on behalf of the UDI Capital Region Board of Directors)